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ANNUAL REPORT

NATIONAL TEA CO.

FOR THE YEAR ENDING DECEMBER 31, 1932

MRB
CORP. FILE

The modern housewife likes to shop in a store that is modern in style and the latest in convenience. All National Tea Co. "new type" Food Stores supply every food requirement and are ultra-modern in attractiveness and super-planned for convenience.

Here is the exterior view of one of our new modern stores.

The grocery department in one of our service type stores.

A view of the meat department in one of our service type stores.

A view of the grocery department in a service type store.

A typical interior view of a self service store showing general arrangement.

1000 Crosby Street, Chicago
February, 20, 1933

To the Stockholders of the
National Tea Co.

The result of operations of your Company for the year ending December 31, 1932, after making provision for Federal Income Taxes, is a profit of $899,053.63, equivalent after preferred dividends to $1.30 per share on 627,736 shares of outstanding common stock. This result compares with a profit of $716,279.23 for the year 1931, equivalent after preferred dividends to 98c per share on 629,046 shares of common stock outstanding as of that date.

The consolidated sales for the year amounted to $65,657,249.46 as compared with $76,657,864.60 for the year 1931, a decrease of 14.35%, which is attributed to further declines in commodity prices during the year and the closing of 123 unprofitable stores.

The Company had in operation on December 31, 1932, 1,389 stores, of which 302 were combination grocery and meat markets, as compared with 1,512 stores, of which 301 were combination grocery and meat markets at December 31, 1931.

Continuing its consistent depreciation policy, there has been charged off against earnings in respect of this item $1,105,232.28 as compared with $1,116,301.13 in the previous year.

Store rentals have had the management's continued close attention during the year, resulting in many favorable adjustments, and bringing the Company's position with regard to existing leases to a satisfactory one at the beginning of 1933. Of all leases in effect December 31, 1932 only 376 were made prior to January 1, 1930. Of this number adjustments downward have been obtained on 107, the balance expiring as follows: 92 in 1933, 77 in 1934, and only 100 subsequent to 1934. A total of $83,199.88 was paid out and charged off against earnings during 1932 to cover cancellations of unprofitable leases.

With a view of continuing the Company's conservative policy, the Surplus Account was reduced by appropriations to cover possible obsolescence of store fixtures in the amount of $500,000.00, and to reduce the book value of Goodwill to $1.00 in the amount of $2,222,609.23.

Having accomplished a consistent readjustment of your entire business to fit it as far as possible into existing conditions, we face the future with confidence that operating results will be satisfactory.

Respectfully submitted,
Geo. Rasmussen,
President.

MAR 6 1933

CONSOLIDATED

DECEMBER

ASSETS

CURRENT ASSETS:		
Cash on Hand and in Banks		$ 1,855,589.11
Investments, State of Illinois and Liberty Bonds, at Cost		110,162.50
Notes Receivable, less Reserve for Doubtful Notes		1,957.33
Accounts Receivable—		
Trade	$ 288,223.06	
Due from Relief Agencies (of which $945,734.76 has been received in 1933)	1,151,287.01	
Other (including Employes' Stock Subscription Contracts, $3,836.24)	70,607.49	
	$1,510,117.56	
Less: Reserve for Bad Debts	34,354.63	
		1,475,762.93
Inventories of Merchandise and Supplies on hand and in Transit, certified as to quantity and condition by officials of the Company and valued at cost or market, whichever is lower		5,370,546.06
Tax Anticipation Warrants at Cost (face value $93,302.50)		88,265.98
Total Current Assets		$ 8,902,283.91
EMPLOYES' STOCK SUBSCRIPTION CONTRACTS:		
(78,248 Shares Preferred Stock National Tea Co. sold on contracts and held, along with Real Estate, as security)		745,705.88
CASH IN CLOSED BANKS, LESS RESERVE		52,281.47
MORTGAGES RECEIVABLE, DUE SUBSEQUENT TO 1933		12,729.97
INVESTMENTS:		
Nateco Realty Trust (represented by 500 Certificates of Beneficial Interest, being 50% Ownership at Cost)	$ 668,870.51	
Rana Investment Company—50% interest at cost	500.00	
		669,370.51
PROPERTIES—AT COST:		
Land	$2,857,978.18	
Buildings	$ 6,026,034.24	
Machinery, Fixtures and Equipment	7,618,822.59	
Delivery Equipment	1,235,518.68	
	$14,880,375.51	
Less: Reserve for Depreciation	6,392,879.00	
	8,487,496.51	
		11,345,474.69
GOODWILL		1.00
DEFERRED CHARGES:		
Extraordinary Expenditures on Improvement of Leaseholds, etc. being amortized	$ 384,122.33	
Prepaid Taxes, Insurance, etc.	87,356.24	
		471,478.57
		$22,199,326.00

The President and Board of Directors,
National Tea Co., Chicago, Illinois

We have examined the books and records of the National Tea C
and, in our opinion, the attached Consolidated Balance Sheet a
set forth, respectively, the financial condition of the Company a
year to that date.

Chicago, Illinois—February 14, 1933.

BALANCE SHEET

31, 1932

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:			
Accounts Payable—			
Trade		$1,350,452.14	
Payroll and Commissions		56,819.60	
Interest and Taxes		500,280.90	
Employes' Deposits		12,277.43	
Dividends Payable		107,862.93	
Provision for Federal Income Tax Estimated		165,044.57	
			$ 2,192,737.57
Purchase Money Obligations, due 1933			79,500.00
Commercial Letters of Credit (Merchandise received or in Transit)			186,712.47
Total Current Liabilities			$ 2,458,950.04
PURCHASE MONEY OBLIGATIONS—			
Due Subsequent to 1933			405,700.00
FIVE YEAR 5% GOLD NOTES—Due May 1, 1935		$4,000,000.00	
Less: Repurchased and Cancelled		279,500.00	
			3,720,500.00
CONTINGENT RESERVE			71,313.00
DEFERRED PROFIT ON CAPITAL STOCK REPURCHASED			12,788.86
PREFERRED STOCK, 5½% CUMULATIVE:			
Authorized and Issued	200,000 Shares of $10 each	$2,000,000.00	
Less: Held in Treasury	50,030 Shares	500,300.00	
Outstanding	149,970 Shares		1,499,700.00
COMMON STOCK:			
Authorized	800,000 Shares of No Par Val.		
Issued	660,000 Shares	$8,250,000.00	
Less: Held in Treasury	32,264 Shares	403,300.00	
Outstanding	627,736 Shares		7,846,700.00
EARNED SURPLUS (As per statement Attached)			6,183.674.10
			$22,199,326.00

Co. and its Subsidiaries for the year ended December 31, 1932, nd the relative attached Income and Surplus Accounts correctly at December 31, 1932 and the results from operations for the

ARTHUR YOUNG & CO.
Certified Public Accountants.

INCOME AND SURPLUS ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 1932

SALES:			
Stores		$65,524,244.55	
Warehouse		133,004.91	
			$65,657,249.46
Deduct: Cost of Sales and Expenses		$63,463,202.05	
Depreciation		1,105,232.28	
Loss on Sale of Capital Assets		44,560.25	
			64,612,994.58
NET OPERATING PROFIT			$ 1,044,254.88
Add: Profit on Five Year 5% Gold Notes repurchased and cancelled	$	63,112.50	
Revenue from Nateco Realty Trust		38,478.65	
			101,591.15
			$ 1,145.846.03
Deduct: Consideration paid for Cancellation of Leases			83,199.88
Net Profit before deducting Provision for Federal Income Tax			$ 1,062,646.15
Provision for Federal Income Tax			163,592.52
Net Profit transferred to Surplus			$ 899,053.63

	Capital	*Earned*
Surplus, January 1, 1932	$2,000,000.00	6,466,842.02
Amount of Capital Surplus appropriated to reduce book value of Goodwill	2,000,000.00	
Amount of Earned Surplus appropriated to reduce book value of Goodwill		222,609.23
	Nil	$6,244,232.79
Deduct:		
Appropriated to cover possible obsolescence of fixtures	$ 500,000.00	
Dividends—		
Preferred $ 82,580.72		
Common 377,031.60		
	459,612.32	
		959,612.32
		5,284,620.47
Earned Surplus, as per Balance Sheet		$ 6,183,674.10

National Tea Co.

Directors

George Rasmussen

Frederick H. Massmann

Th. Rasmussen

Burt J. Dickens

Robert V. Rasmussen

Joseph L. Merrill

Officers

George Rasmussen
President

Frederick H. Massmann
Vice-President

Th. Rasmussen
Secretary & Treasurer

Burt J. Dickens
Assistant Secretary

W. E. Russell
Comptroller